

Card Factory blames surge in costs including wages for slump in profits

Card Factory has blamed a surge in costs, including minimum pay rules, for a slump in half-year profits,

The celebration retailer said pre-tax profits fell 43% to £14m over the six months to the end of July despite a 3.7% increase in sales across its stores.

The company, which trades from almost 1,000 sites in the UK and Ireland, said profits took a £64.4m hit from store and warehouse wages over the period.

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It represented 28% of total sales, the chain said.

Card Factory also highlighted cost pressures from higher international shipping and packaging costs.

Despite the challenges, the company said it remained on track to meet its full-year profit expectations.

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That would be helped, the results statement said, by continuing action to offset the impact of higher costs.

Shares, however, plunged by up to 21%.

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Much will depend on the crucial Christmas trading period as the wider retail sector continues to see [widespread consumer caution](#).

A largely poor summer for sun seekers was blamed for depressing demand in both June and July.

So-called big ticket items, such as home furnishings, have led the weakness as household budgets remain constrained by higher energy, rental and mortgage costs.

At the same time, a workers' rights bill by the new Labour government, due to be outlined next month, has left employers nervous over additional costs ahead.

Russ Mould, investment director at AJ Bell, said: “Being a budget option has been key to Card Factory’s success, with the company also benefiting from the woes of rival chain Clintons.

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“There is now an onus on the company to demonstrate it can claw back some margin in the second half of the year.

“For now, management are sticking with both short and medium-term guidance and if this is achieved then today’s announcement will likely be viewed as a blip, rather than anything more serious.

“The increase in sales at least suggests there remains robust demand for Card Factory’s value offering of gifts, balloons, cards and party supplies.

“Britons don’t look to be going out of the card-giving habit any time soon”, he concluded.